

VZCZCXRO7992
RR RUEHTRO
DE RUEHRB #2170/01 3281655
ZNR UUUUU ZZH
R 241655Z NOV 06
FM AMEMBASSY RABAT
TO RUEHC/SECSTATE WASHDC 5259
INFO RUEHAS/AMEMBASSY ALGIERS 4210
RUEHMD/AMEMBASSY MADRID 5606
RUEHNC/AMEMBASSY NOUAKCHOTT 3355
RUEHFR/AMEMBASSY PARIS 4442
RUEHTRO/AMEMBASSY TRIPOLI 0112
RUEHTU/AMEMBASSY TUNIS 9113
RUEHCL/AMCONSUL CASABLANCA 2384
RUCPDO/DEPT OF COMMERCE WASHDC
RUEHRC/DEPT OF AGRICULTURE WASHDC

UNCLAS SECTION 01 OF 03 RABAT 002170

SIPDIS

SENSITIVE
SIPDIS

STATE FOR NEA/MAG, STATE PASS USTR (BELL), USPTO (ADLIN AND ADAMS), USDOC FOR ITA/MAC/ONE (ROTH), ADVOCACY CTR (JAMES) AND CLDP (TEJTEL)

E.O. 12958: N/A

TAGS: [EAGR](#) [EAIR](#) [ECON](#) [EIND](#) [ELAB](#) [ETRD](#) [KTEX](#) [MO](#)
SUBJECT: MOROCCO MACROECONOMIC UPDATE AND ECONOMIC HIGHLIGHTS; NOVEMBER 2007

REF: RABAT 02071

1. (U) This message provides an update on Morocco's macroeconomic situation, together with the following other economic highlights:

- 1A. Moroccan Ports In Compliance With International Security Standards
- 1B. FTA Wheat Quotas Unfulfilled
- 1C. Parliament Debates Anti-Money Laundering Law
- 1D. RyanAir Postpones New Service
- 1E. Internet ADSL Subscribers Increase 294 Percent From 2005
- 1F. Moroccan Professors Upset Over Work Conditions
- 1G. U.S. and Morocco Sign Environmental and Science Agreements

Morocco Macroeconomic Update

2. (U) Economy Rebounds: As part of its November 20 Survey, the International Monetary Fund praised Moroccan macroeconomic conditions, reform efforts, and fiscal policy. Noting a bumper wheat crop, together with strong activity in services and construction, the IMF projected real GDP growth of 7.3 percent in 2006. The IMF also noted the fiscal deficit would be close to the 2006 budget target of 4.1 percent, down from 5.9 percent in 2005. Although the IMF characterized the inflation rate as low, the Central Bank reported inflation reached 3 percent in the first eight months of 2006, up from an average of 1.7 percent in the past five years. The Central Bank attributed the increase to positive factors such as economic growth and an increase in money supply from tourism and remittances.

3. (U) Exports Increase: The Foreign Exchange Office (Office des Changes) reported Moroccan exports exceeded USD 9 billion in the first nine months of 2006, up 14 percent from the same period in 2005. Semi-finished products increased 28.6 percent, commodities were up 11.2 percent, and food products increased 3.6 percent. U.S. Department of Commerce trade figures show Moroccan exports to the U.S. rose 5 percent from 2005. Despite the rise in exports, Moroccan imports nearly doubled the value of imports, with the trade deficit growing by 9.5 percent from 2005, primarily due to increased petroleum costs.

14. (U) Unemployment Drops: The High Planning Commission reports unemployment dropped slightly in the third quarter of 2006 to 10 percent. Compared to 2005, urban unemployment dropped 1.8 percent to 15.8 percent, while rural unemployment remained stagnant at 3.9 percent. This decrease in unemployment was achieved as the working population increased by 4.7 percent to 11.4 million workers. The Minister of Employment, Mustafa Mansouri said 272,000 new jobs were created between 2003 and 2005, compared to 147,000 between 2000 and 2003.

15. (U) One of the principal sectors responsible for the decrease in unemployment was tourism, which experienced a 25.8 percent increase in revenue in the first nine months of 2006, in comparison to the same period in 2005. According to the Ministry of Tourism, revenues reached USD 4.5 billion in the first nine months of 2006, and are expected to exceed USD 6.5 billion by year's end. Tourist numbers increased 9 percent and are expected to reach 6.5 million by year's end, up from 5.8 million in 2005. Morocco hopes to encourage 10 million tourists by 2010, but according to Tourism Minister Adil Douiri, hotel rooms are not being built fast enough. Roughly 10,000 extra hotel beds were added in 2006, but 15-17,000 are required to support the 10 million goal.

16. (U) Record Level of Foreign Investment: Tourism Minister, Adil Douiri said foreign investments are expected to exceed USD 3.86 billion in 2006, surpassing 2005's record of USD 3.2 billion. Douiri attributed the influx of foreign investment to GOM policies, particularly in tourism. The Director of Foreign Investments, Hassan Bernoussi, added that foreign investment by Gulf States had reached USD 23.2 billion,

RABAT 00002170 002 OF 003

primarily in real estate, urban transportation infrastructure, water management, and tourism.

17. (U) One consequence of increased foreign investment has been a dramatic increase in real estate prices. According to Mohamed Adil Bouhaja, President of the Association of Estate Agents in Marrakech, owning a second home in Morocco has become fashionable for Europeans, with demand sharply up in all markets and price ranges. An apartment purchased two years ago in Marrakech for 300,000 dirhams, for example, can now be sold for 800,000 dirhams. One prominent real estate expert predicts that prices will continue to increase until they approach Spanish levels.

18. (U) Another indicator of foreign investment has been the Casablanca Stock Exchange. Despite some analysts' prediction of a sell-off and profit-taking, the Casablanca Stock Exchange continues to outperform all other Arab markets, up over 60 percent in 2006. In 2005, the Moroccan All Shares Index (MASI) achieved a 146 percent return. Analysts points to the record level of foreign investment, large and popular public offerings (utility privatization) by the government, and a flourishing economy as reasons for the market's performance.

Moroccan Ports ISPS Compliant

19. (U) In September, a U.S. Coast Guard International Port Security (IPS) team found Morocco substantially compliant with the International Port Facility Security (ISPS) Code. The four-member USCG team met with senior GOM maritime transport officials and visited five Moroccan ports. They found the National Port Security Committee dedicated to improving port security, adequate access and perimeter security measures at the ports visited, and impressive cooperation at the local level.

Unfulfilled Wheat Quotas

¶10. (SBU) Leading Moroccan wheat importers and millers sought USG support in pressing Morocco to lower high import duties in a meeting with Ambassador Riley last week. They cited high duties of 130 percent as the principal cause of their inability to import U.S. wheat. Auctions held by the National Cereals' Office (ONICL) earlier this month brought no bids. Importers claim the message from ONICL is clear. "We are holding the auctions to fulfill our obligations under the FTA, but we are not going to import U.S. wheat." To date, less than a tenth of the quota for bread wheat and less than a quarter of that for durum wheat has been filled. The millers argue that while it was the intent of the FTA to liberalize trade, in practice the TRQ auction system has provided an additional tool for the GOM to manage wheat trade.

Anti-Money Laundering Bill Reaches Parliament

¶14. (U) Morocco's long-awaited Anti-Money Laundering (AML) legislation was formally introduced for debate in Parliament on November 21. The Ministerial Council, presided over by the King, had previously approved and forwarded the legislation to Parliament in July. The robust legislation draws largely from recommendations made by the Organization for Economic Cooperation and Development's (OECD) Financial Task Force (FATF), and will permit the Central Bank to monitor, investigate, and prosecute all suspect financial activities. The law requires the reporting of suspicious financial transactions by all responsible parties, public and private, who in the exercise of their work, carry out or advise on the movement of funds possibly related to drug trafficking, human trafficking, arms trafficking, corruption, terrorism, tax evasion, or forgery. Enactment of the AML law is a key step in the Moroccan anti-money laundering campaign

RABAT 00002170 003 OF 003

that includes plans to create a centralized Financial Intelligence Unit (FIU). Both the upper and lower chambers of Parliament will have the opportunity to discuss the legislation before voting on it. Within thirty days of Parliamentary passage, the legislation will then be sent to the Royal Palace to receive the King's final seal. Only then can the legislation be published in the official gazette and become law. Given the time required to complete these next steps, we expect implementation of AML no earlier than spring ¶2007.

RyanAir Postpones Service

¶15. (SBU) RyanAir, Europe's premier low-cost airline, announced it had been forced to indefinitely postpone the launch of new routes from France and Germany to Morocco. Although Morocco and the EU signed an Open Sky treaty in October and RyanAir had planned to launch greatly expanded service from France and Germany in December, the carrier was forced to indefinitely postpone its expanded service due to a ratification issue among EU member countries. In open source reporting, French transport officials were singled-out for their obstruction of the new accord, citing the need for ratification among all the EU member countries before they would authorize the new routes. In a press release, RyanAir noted the process could take up to 18 months. Comment: Morocco was the largest French passenger growth market in 2006, up more than 26 percent from 2005. Many observers interpret France's tough stance as an attempt to protect Air France's dominant position in the market. End Comment.

ADSL Internet Usage Soars

¶16. (U) According to a new report released by Arab Advisors Group, Morocco's ADSL market grew by 97 percent during the second quarter of 2006, and 294 percent in the past year. By contrast, total Internet access grew by only 8.2 percent in the second quarter. The large growth in the ADSL market reflects growing demand and sophistication by the consumer, according to the study. Nonetheless, Internet access is still used by a small minority of Moroccans (approximately 1.12 percent), which is comparable to many sub-Saharan states. The Group predicts Morocco's Internet growth to be 29.8 percent between 2006-2010.

U.S. - Morocco Sign Environmental and Science Agreements

¶17. (U) In two separate signing ceremonies, Assistant Secretary of State for Oceans, Environment and Science,

SIPDIS

Claudia McMurray, signed a U.S.- Morocco Environmental Cooperation Plan of Action and a Science and Technology Agreement in Rabat, on November 14. The Environmental Cooperation Plan of Action was developed pursuant to a U.S. - Morocco Joint Statement on Environmental Cooperation, which was negotiated in conjunction with the FTA. A number of cooperative activities are in progress, or have been completed, including training programs in the use of Environmental Impact Assessments and environmental decision-making. The U.S. - Morocco Science and Technology Agreement provides the framework for collaboration on a broad array of science issues and parallels similar agreements with Algeria and Tunisia.

Visit Embassy Rabat's Classified Website;

<http://www.state.sgov.gov/p/nea/rabat>

Riley